GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1020
ANSWERED ON:27.07.2001
DECLINING TREND IN CREDIT OFF TAKE
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI has reported a declining trend in credit off-take from banks in the months of May and June, 2001;

(b) if so, the reasons for this decline in off-take of bank credit;

(c) whether the RBI has made any analysis of this declining trend; and

(d) if so, the outcome thereof and the steps taken to check such declining trend?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (GINGEE N. RAMACHANDRAN)

(a) : Reserve Bank of India (RBI) has reported that the monthly variations inbank credit (on last Reporting Friday basis) for the month of June, 2001 has declined as compared to May 2001 as indicated below:

Monthly Variations in Bank Credit: Scheduled Commercial Banks

Financial Year 2001-02 (Rs. crore)

Item	May 18, 2001 over April 20, 2001		June 29, 2001 over May 18, 2001	
Bank Credit (a+b) of which	+1056	(+0.2)	-1672	(-0.3)
(a) Food Credit	+10329		+3904	
(b) Non-Food Bank Credit	-9272	(-1.9)	-5576	(-1.2)

Figures in bracket indicate percentage variation over the previous month.

(b) : RBI has stated that Non-food bank credit generally exhibits a seasonalpattern with the growth during the first quarter of the year being very low. Apart from the seasonal pattern, the deceleration in credit off-take in the current financial year partly reflects the sluggish industrial activity as revealed from the Index of Industrial Production (IIP), which recorded a lowergrowth of 2.6 per cent in April-May 2001. The conditions in the equity market and subdued investment demand have also affected credit off-take from banks.

(c) & (d): The Monetary and Credit Policy of April 2001 had indicated that theReserve Bank of India would ensure that all legitimate requirements for credit are met consistent with price stability. Adequate flexibility has been given to banks in prescribing interest rate and facilitate credit flow. The interest rates have, in fact, softened in line with the expectations. Credit pick-up depends on the overall growth and business confidence and it would pick-up with changes in perceptions and increased investor confidence about the overall prospects of the economy.